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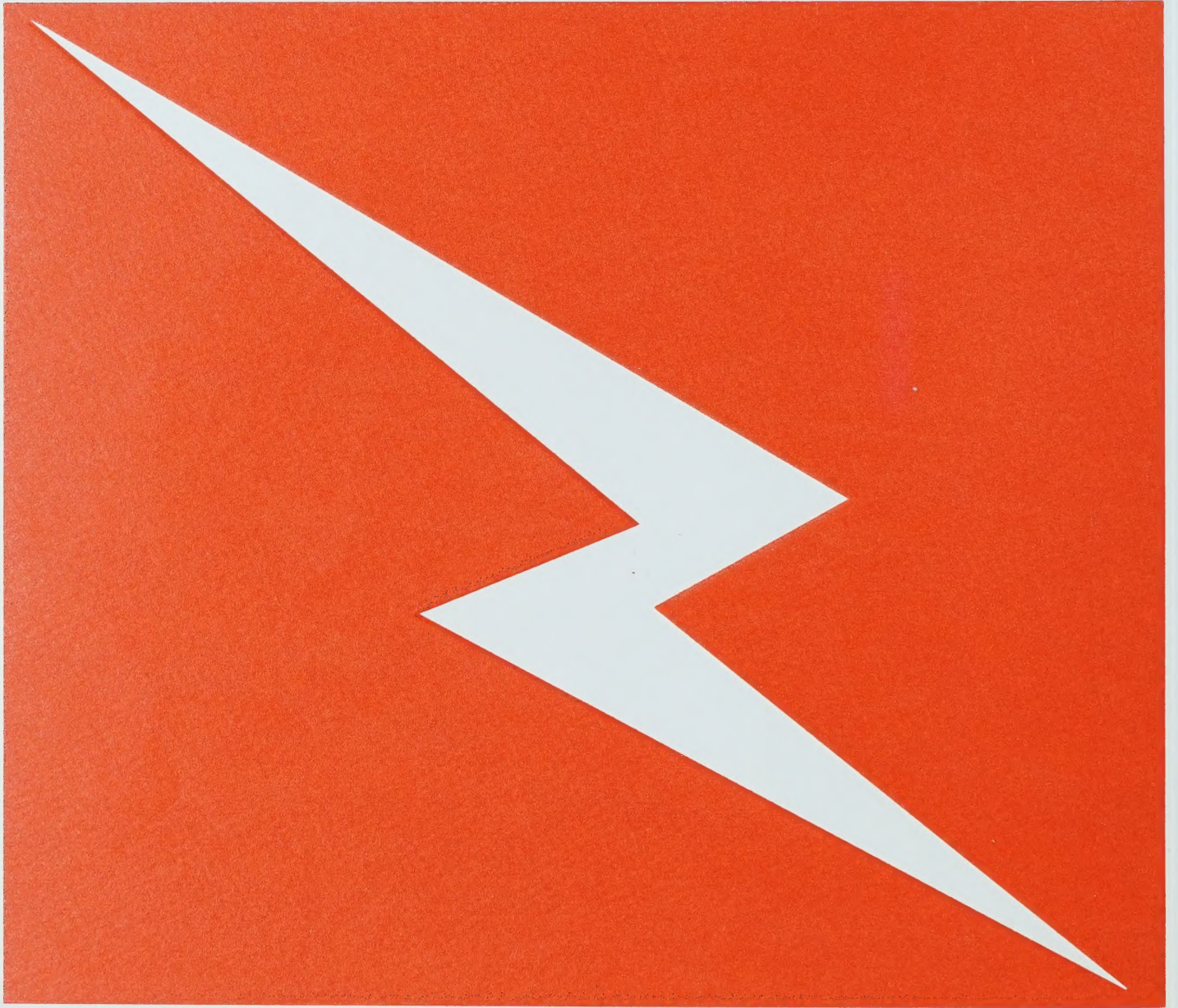
FPE

P/E

1968 Annual Report



FPE-PIONEER ELECTRIC LIMITED



The annual meeting of the Company is to be held in the Saskatchewan Room, Royal York Hotel, Toronto, Friday, November 8th, 1968, at 11 a.m.

Directors

Benjamin W. Ball
Louis W. Cole
Thomas M. Cole
Edward W. Darby
T. Peter N. Jaffray
Donald E. Mathewson
Richard Noonan
Jacob S. Vanderploeg

Officers

Louis W. Cole
Chairman of the Board

*Richard Noonan
*Vice-Chairman of the Board and
Chairman of Executive Committee*

*Benjamin W. Ball
President

A. Gordon Daley
Vice-President

W. Herbert Hohn
Vice-President

Harry L. Livingstone
Vice-President

Thomas Shkordoff
Vice-President

Kenneth J. Thompson
Vice-President

John B. Thorsteinsson
Vice-President

*Edward W. Darby
Secretary and Treasurer

Alan D. Amos
Comptroller and Assistant Secretary

* *Members of Executive Committee*

Financial highlights

	1968	1967	1966	1965	1964
Net sales.....	33,579,069	30,564,488	25,925,741	20,778,119	17,677,855
Income taxes paid or payable.....	1,745,000	2,186,000	1,740,180	1,601,345	1,024,630
Net earnings after taxes.....	1,777,187	2,069,555	1,742,505	1,237,651	965,663
Percent of sales.....	5.3	6.8	6.7	6.0	5.5
* Per share (class A and class B).....	1.67½	2.20	1.90	1.34	.98½¢
Number of class A and class B shares outstanding	967,907	855,781	807,429	759,640	756,000

Dividends declared :

1st preference shares.....	155,072	190,922	209,775	219,582	97,803
Class A shares.....	192,655	140,683	122,798	113,050	56,000
Class B shares.....	323,964	323,960	323,649	31,136	15,568
Property plant and equipment, net.....	6,004,780	4,734,627	3,701,747	3,222,807	3,327,329
Working capital as at year end.....	11,472,869	10,281,118	5,807,075	5,026,448	4,121,920
Average number of employees.....	1,800	1,700	1,400	1,200	990
Number of shareholders.....	1,500	1,700	2,050	2,100	2,300

* Calculated after giving effect to the payment of First Preference Share dividends during the year.

For further purposes of comparison, the following figures of earnings per share are given. These are calculated for all years after deduction from earnings of the amount of First Preference share dividends paid for the year ended June 30, 1968 and are based on the increased total number of Class A and

Class B shares outstanding at June 30, 1968 (967,907 shares) resulting from certain acquisitions early in 1968 and the conversion of Convertible Preference shares to that date : 1968—\$1.67½; 1967—\$1.98; 1966—\$1.64.

Report to shareholders:

While the net earnings of your Company for the fiscal year ended June 30, 1968 were \$1,777,187 as compared with \$2,069,555 in 1967, gains were made in that sales volume increased from \$30,564,488 in 1967 to \$33,579,069 in 1968. Earnings in 1968, which were 5.3% of sales, compared more than favorably to the average earned in the Canadian electrical industry. Although the results of the 1968 operations were not as good as in previous years, the current improvement in economic conditions and the lowering of interest rates indicate that 1969 can be anticipated with a greater degree of confidence.

Early in 1968 your Company acquired the ownership of a Company in Jamaica. While this is at present a comparatively small operation, its production facilities have been improved by the introduction of new equipment and it should enjoy a progressively greater proportion of the electrical business available in the Caribbean market.

During the fiscal year the land, buildings and equipment of a Company in Australia manufacturing electrical equipment were acquired. While these have only been occupied and operated by the Australian subsidiary for six months, substantial progress has been made and it is confidently expected that the Australian operation will become an important element in the overall Company business.

The Research and Development programs of the Apparatus Division in the Extra High Voltage AC and DC fields showed tangible results in this fiscal year. Orders were received totalling some \$3½ million for this type of equipment both for the Peace River development in British Columbia and the Nelson River project in Manitoba. There is a strong possibility that requirements for this type of equipment will increase in the future. This success in the EHV Transformer field opens up new and important markets for your Company.

The Research and Development programs have also proved of value in Electric Heating products. A new hot air electric heating furnace recently developed is being widely and well received in the United States. Your Company looks forward with growing optimism to selling many thousands of units to this market.

Many new models of electrical heating products were put on the market this year and have received an excellent acceptance from customers. While the electrical heating business is

attractive in itself, it also, of course, greatly enhances the requirement for other electrical distribution products—manufactured by your Company.

The demand for the output of the Company's distribution products was somewhat less this year than in the previous year. This decrease in orders occurred at all levels of business, including industrial, construction trade and, for at least part of the year, housing as well. In spite of this and because of the strong network of faithful distributors, coupled with aggressive promotion by the Company's employees, an above-average result has been attained. The present improved demand in all segments of our markets indicates a favourable volume of business for the immediate future.

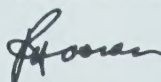
During the year, the manufacture of all of the products of the Solid State family of electrical equipment has been consolidated into the Toronto Plant of the Distribution Products Division. This equipment is being sold widely to protect life and equipment in many areas—including residential and institutional swimming pools, hospitals, industrial plants and utility generating stations. These products are a further result of our continuing Research and Development programs. This segment of the business should grow rapidly in the future and, because of its position in the industry, should enable the Company to be particularly successful in this area.

During the year, a significant addition to the main Toronto Distribution Products Plant was completed and several important divisions of the Company were transferred from rented premises into the addition.

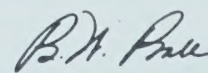
The export sales of your Company increased again this year and the prospects for continuing success are excellent.

Your officers receive many compliments on the quality and attitude of its employees, both in and out of the Plants, and this, coupled with an aggressive product development program, should enable the Company to continue to be a major supplier for Canada's growing electrical industry.

Submitted on behalf of the Board of Directors,
October, 1968.



R. Noonan, Vice-Chairman



B. W. Ball, President

FPE-Pioneer Electric Limited and subsidiary companies

consolidated statement of earnings for the year ended June 30, 1968

	1968	1967
Net sales	\$33,579,069	\$30,564,488
Profit before deducting the undernoted items	\$ 4,588,220	\$ 5,068,235
Deduct:		
Depreciation	445,503	417,340
Amortization of patents	6,083	6,013
Interest on long-term debt	315,114	75,289
Remuneration paid to directors and senior officers	347,631	314,038
Gain on disposal of fixed assets	(59,382)	—
	1,054,949	812,680
Profit before income taxes and minority shareholders' interest	3,533,271	4,255,555
Income taxes (note 4)	1,745,000	2,186,000
	1,788,271	2,069,555
Minority shareholders' interest in profits of a subsidiary (note 1)	11,084	—
Net profit for the year	\$ 1,777,187	\$ 2,069,555

consolidated statement of retained earnings for the year ended June 30, 1968

	1968	1967
Balance at beginning of year	\$ 6,917,464	\$ 5,503,474
Add—Net profit for the year	1,777,187	2,069,555
	8,694,651	7,573,029
Deduct:		
Dividends declared—		
On 5½% first preference shares	155,072	190,922
On Class A shares	192,655	140,683
On Class B shares	323,964	323,960
	671,691	655,565
Balance at end of year	\$ 8,022,960	\$ 6,917,464

Auditors' Report

To the Shareholders of FPE-Pioneer Electric Limited:

We have examined the consolidated balance sheet of FPE-Pioneer Electric Limited and subsidiary companies as at June 30, 1968 and the consolidated statements of earnings, retained earnings and source and application of working capital for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at June 30, 1968 and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
August 26, 1968.

(Signed) Price Waterhouse & Co.
Chartered Accountants.

FPE-Pioneer Electric Limited and subsidiary companies

consolidated balance sheet, June 30, 1968

ASSETS

	1968	1967
Current assets:		
Cash	\$ 62,623	\$ 49,888
Accounts receivable—less allowance for doubtful accounts	7,020,052	7,625,927
Receivable from affiliated companies	728,540	612,695
Inventories, at lower of cost or realizable value	9,726,444	8,839,282
Prepaid expenses and deposits	383,749	354,520
Total current assets	17,921,408	17,482,312
Special refundable tax	106,508	94,463
Mortgage receivable, less current portion	74,695	—
Fixed assets:		
Property, plant and equipment—at cost	8,983,718	7,287,934
Less—accumulated depreciation	2,978,938	2,553,307
	6,004,780	4,734,627
Excess of cost of shares of subsidiaries over net book value (note 1)	1,198,556	929,512
Patents	74,110	78,795
Deferred charges (note 3)	233,134	221,997
	<u>\$25,613,191</u>	<u>\$23,541,706</u>

LIABILITIES

Current liabilities:		
Bank indebtedness	\$ 1,788,779	\$ 2,403,817
Notes payable—guaranteed by bank	1,000,000	—
Accounts payable	1,597,889	2,413,918
Payable to affiliated companies	295,765	193,378
Income taxes payable	359,913	955,507
Other taxes payable	290,655	364,888
Dividends payable	99,328	90,436
Other current liabilities and accrued expenses	1,008,601	772,129
Current portion of long-term debt	7,609	7,121
Total current liabilities	6,448,539	7,201,194
Deferred income taxes (note 4)	230,400	183,600
Long-term debt, less current portion (note 5)	4,638,439	4,646,048
Minority shareholders' equity in subsidiary company	34,958	—

SHAREHOLDERS' EQUITY

Capital stock (notes 6 and 7):		
First preference shares \$50 par value, voting:		
Authorized—173,400 shares		
Issued and fully paid—53,400 shares (1967—63,298 shares)	2,670,000	3,164,900
Class A and Class B shares without nominal or par value, voting:		
Authorized—		
3,106,400 Class A shares		
1,500,000 Class B shares		
Issued and fully paid—		
389,399 Class A shares (1967—277,273 shares)	3,117,345	977,950
578,508 Class B shares	450,550	450,550
	6,237,895	4,593,400
Retained earnings	8,022,960	6,917,464
	<u>14,260,855</u>	<u>11,510,864</u>
	<u>\$25,613,191</u>	<u>\$23,541,706</u>

On behalf of the Board:

(Signed) R. Noonan, Director

(Signed) E. W. Darby, Director

notes to consolidated financial statements, June 30, 1968

1. Acquisition of subsidiary companies:

(a) Federal Pacific Electric Caribbean Limited:

Effective December 31, 1967 the company purchased from Federal Pacific Electric Company its interest in Federal Pacific Electric Caribbean Limited which amounted to 90% of its outstanding shares. The assets and liabilities of this subsidiary at June 30, 1968 and its earnings since December 31, 1967 have been consolidated, with provision being made for the 10% minority interest therein. The cost of the shares acquired exceeded their net book value by \$269,044.

(b) FPE Australia Pty. Limited:

Immediately prior to June 30, 1967 the company purchased from Federal Pacific Electric Company 75% of the outstanding shares of FPE Australia Pty. Limited, with the option of acquiring the remaining 25% for a nominal amount. The assets and liabilities of this subsidiary have been consolidated at June 30, 1967 and 1968, as have the results of its operations for the fiscal year ended March 31, 1968, as though it were wholly-owned.

2. Basis of translation of foreign currencies:

The accounts of the Australian and Caribbean subsidiaries have been translated to Canadian dollars as follows:

- (a) Current assets and liabilities—at the exchange rate prevailing on June 30, 1968.
- (b) Fixed assets, shareholders' equity and depreciation expense—at historical rates prevailing at dates of acquisition.
- (c) Revenue and expenses other than depreciation—at the average rate during the fiscal year.

3. Deferred charges:

Deferred charges include unamortized discount and other expenses of issue of the Series A debentures—\$188,178 (1967—\$195,670).

4. Deferred income taxes:

As a result of claiming capital cost allowances for income tax purposes in excess of the allowable depreciation charged in the accounts, and to provide for the effect of other timing differences in the calculation of taxes payable, \$46,800 has been included in the current year's provision for income taxes and added to the total of deferred income taxes on the balance sheet. A further provision of \$113,000 would be required to make full provision for deferred income taxes relating to prior years.

5. Long-term debt:

6½% secured sinking fund debentures, Series A maturing April 15, 1987 (Annual sinking fund payments commence in 1970 at \$91,000 and thereafter gradually increase to \$267,000 in 1986. The balance of \$1,505,000 is payable at maturity.)	\$4,300,000
6½% mortgage loan of subsidiary, repayable in monthly instalments, maturing in 1989	338,439
Total	\$4,638,439

The 6½% secured sinking fund debentures, Series A, are secured by a Deed of Trust and Mortgage which, inter alia, provides for dividend restrictions under certain conditions.

The financial position of the companies is such that these restrictions are not applicable at this time.

6. Changes during the year in capital stock:

(a) 9,898 first preference shares were converted into 39,592 Class A shares at the stated value of \$494,900, thus reducing the authorized first preference capital stock from 183,298 to 173,400 shares, and the outstanding from 63,298 to 53,400 shares.

(b) 11,400 Class A shares were issued for cash at \$9 per share in accordance with options previously granted to officers of the company.

(c) 18,058 Class A shares were issued to Federal Pacific Electric Company in exchange for 90% of the outstanding shares of Federal Pacific Electric Caribbean Limited (Note 1 (a)). The quoted market value of the Class A shares at the date of issue (\$464,994 or \$25.75 per share) was deemed by the directors to be the fair market value of the assets acquired.

(d) 43,076 Class A shares were issued to Federal Pacific Electric Company in exchange for certain inventories and fixed assets in Australia owned by Federal Pacific Electric Company. The quoted market value of the Class A shares at the date of issue (\$1,076,901 or \$25.00 per share) was deemed by the directors to be the fair market value of the assets acquired. These assets were in turn sold to FPE Australia Pty. Limited. Payment is to be made by FPE Australia Pty. Limited by the issue of additional shares in its capital stock to FPE-Pioneer Electric Limited.

7. Capital stock:

5½% cumulative convertible first preference shares, Series A:

Each first preference share, Series A is convertible into four Class A shares up to and including January 15, 1979. The conversion rate is subject to adjustment to protect the conversion privilege against dilution in certain events. The first preference shares, Series A are redeemable at a premium of 4½% which reduces periodically until January 15, 1973 and thereafter becomes 2%.

Class A shares:

578,508 Class A shares are reserved for the possible conversion of the currently outstanding Class B shares.

Of the 12,400 shares previously reserved to satisfy options granted to officers of the company, 11,400 were issued during the year and the option on the remaining 1,000 shares was cancelled with the retirement of the officer holding the option.

Class B shares:

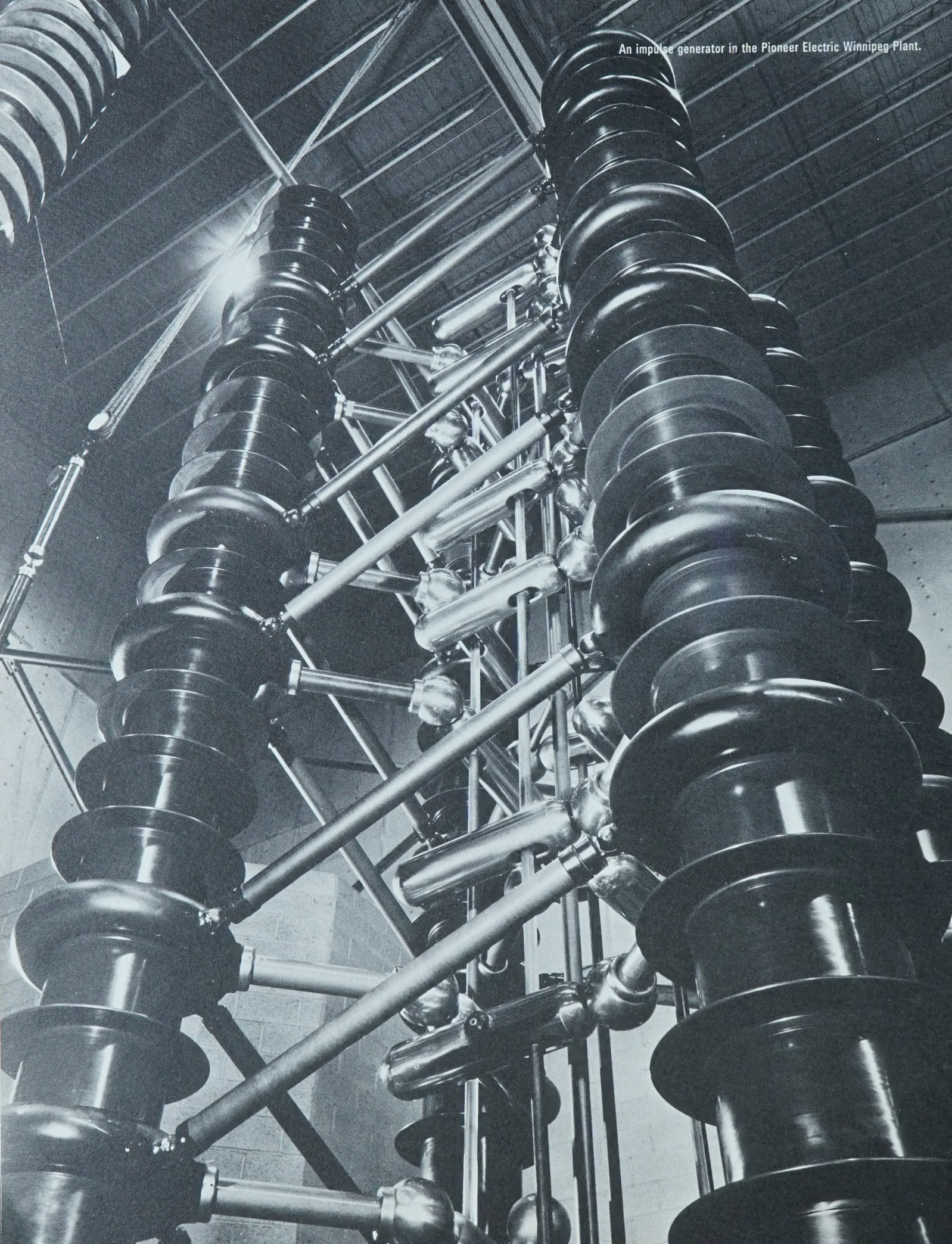
After February 4, 1969, 55,600 Class B shares may be converted during each dividend year into Class A shares on a share for share basis provided certain conditions have been met with respect to earnings and payment of Class A share dividends. After the Class A shares have received dividends aggregating 56 cents per share and the Class B shares have received dividends aggregating 5.6 cents per share in any dividend year, the Class B shares are entitled to receive additional dividends aggregating 50.4 cents per share before any further dividends are paid on the Class A shares. Additional dividends paid in excess of the 56 cents per share on both classes of shares are to be shared equally on a share for share basis.

FPE-Pioneer Electric Limited and subsidiary companies

consolidated statement of source and application of working capital for the year ended June 30, 1968

	1968	1967
Source of working capital :		
Operations :		
Net profit	\$ 1,777,187	\$ 2,069,555
Non-cash charges deducted in determining net profit :		
Depreciation	445,503	417,340
Amortization of deferred debt expense and patents	16,193	7,658
Deferred income taxes	46,800	116,900
Gain on disposal of fixed assets	(59,382)	—
	<u>449,114</u>	<u>541,898</u>
Total from operations	2,226,301	2,611,453
Shares issued (Note 6)	1,644,495	30,600
Disposal of fixed assets	171,627	2,293
Minority shareholders' equity in subsidiary company	34,958	—
Long-term borrowing	—	4,300,000
	<u>4,077,381</u>	<u>6,944,346</u>
Application of working capital :		
Fixed asset additions	1,827,901	1,452,513
Dividends	671,691	655,565
Cost of shares of subsidiary over net book value	269,044	77,115
Mortgage receivable acquired	74,695	—
Expenditures on deferred charges and patents (net)	22,645	198,276
Non-current refundable tax	12,045	79,713
Decrease in long-term debt	7,609	7,121
	<u>2,885,630</u>	<u>2,470,303</u>
Increase in working capital	1,191,751	4,474,043
Working capital at beginning of year	10,281,118	5,807,075
Working capital at end of year	<u>\$11,472,869</u>	<u>\$10,281,118</u>

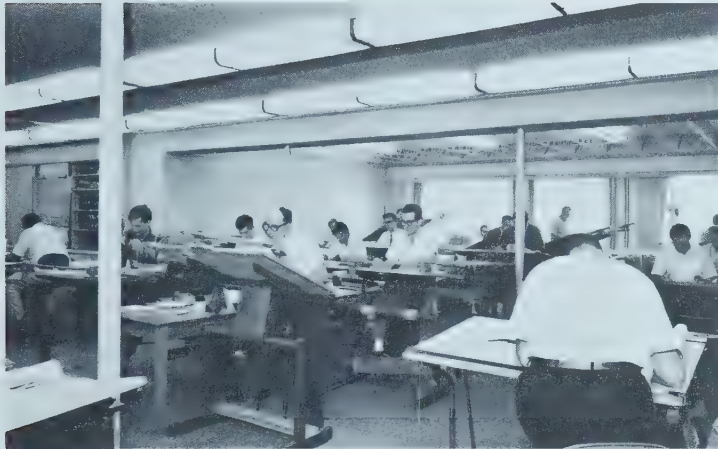
An impulse generator in the Pioneer Electric Winnipeg Plant.



Research and development, the key to growth and customer satisfaction

Research and Development keeps the design of Transformers, Switchgear and other Electrical Distribution Equipment under continuous review. This ensures that FPE-Pioneer products are manufactured not only for the needs of today but also for the requirements of tomorrow. FPE-Pioneer is at the same time striving to keep its products at the lowest possible cost.

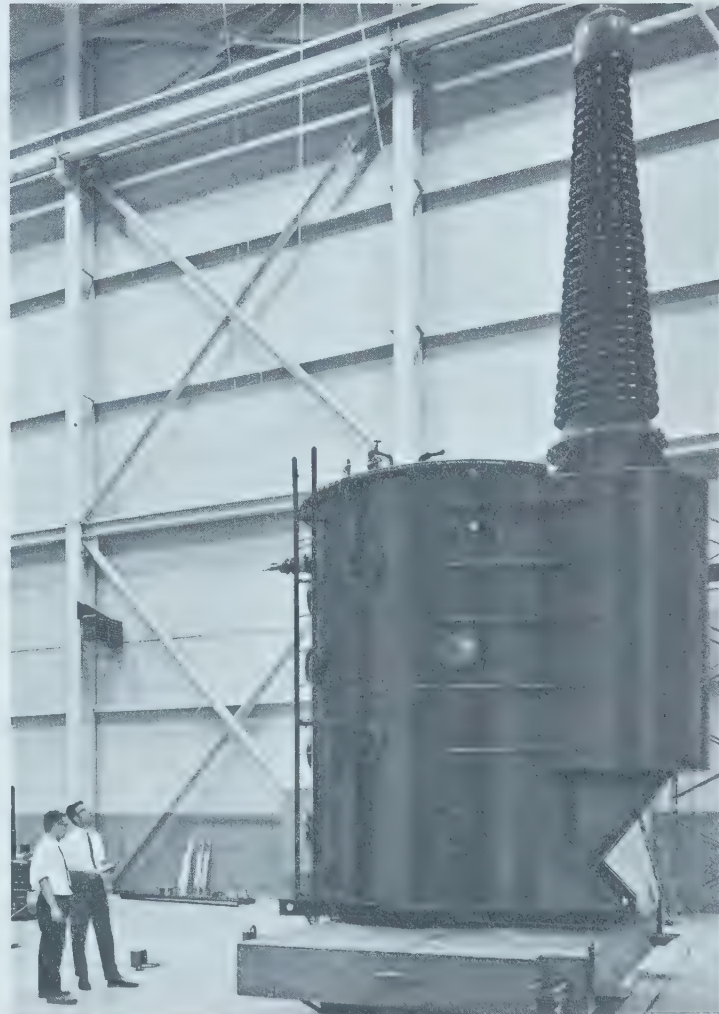
The accompanying illustrations give some indication of the extent of the research and testing facilities of the company.



A corner of the Pioneer Electric Winnipeg Engineering and Development Department. Research carried out here resulted in the significant orders received for equipment for the Peace River and Nelson River projects.



The Engineering and Research Department of the Pioneer Electric Toronto Plant.



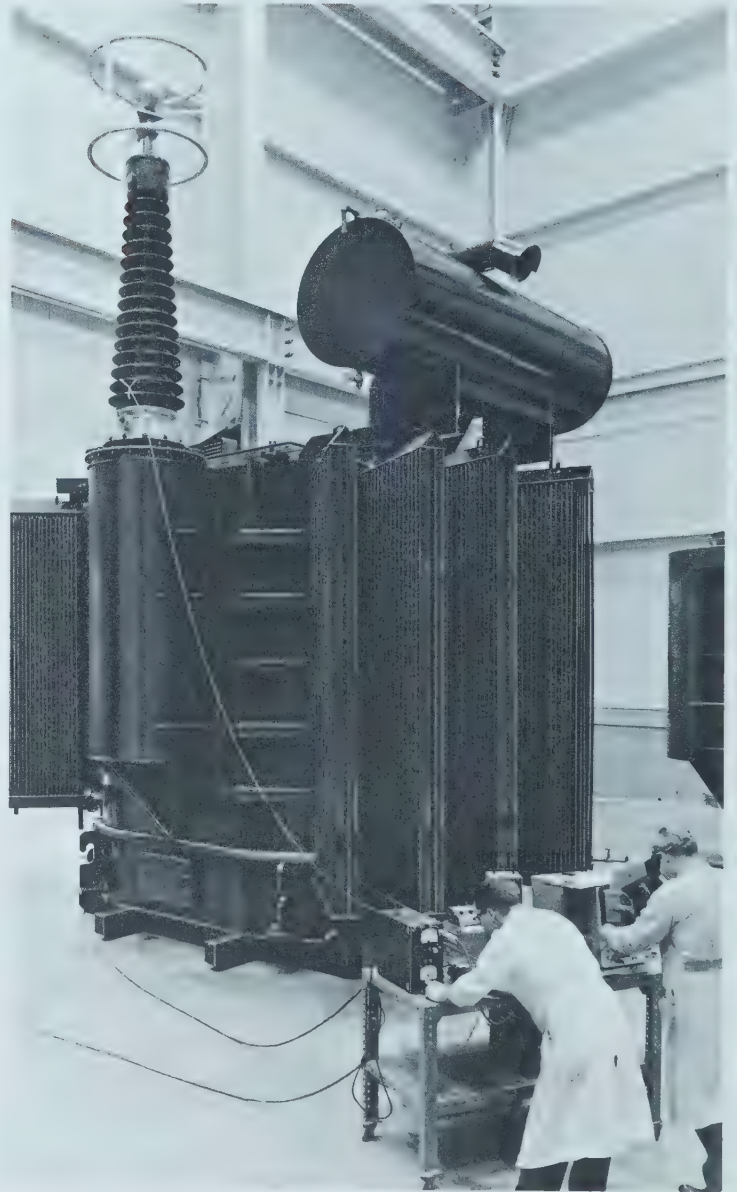
The impulse testing area in the Pioneer Electric Winnipeg Plant. Shown is a 500 KV prototype coil.



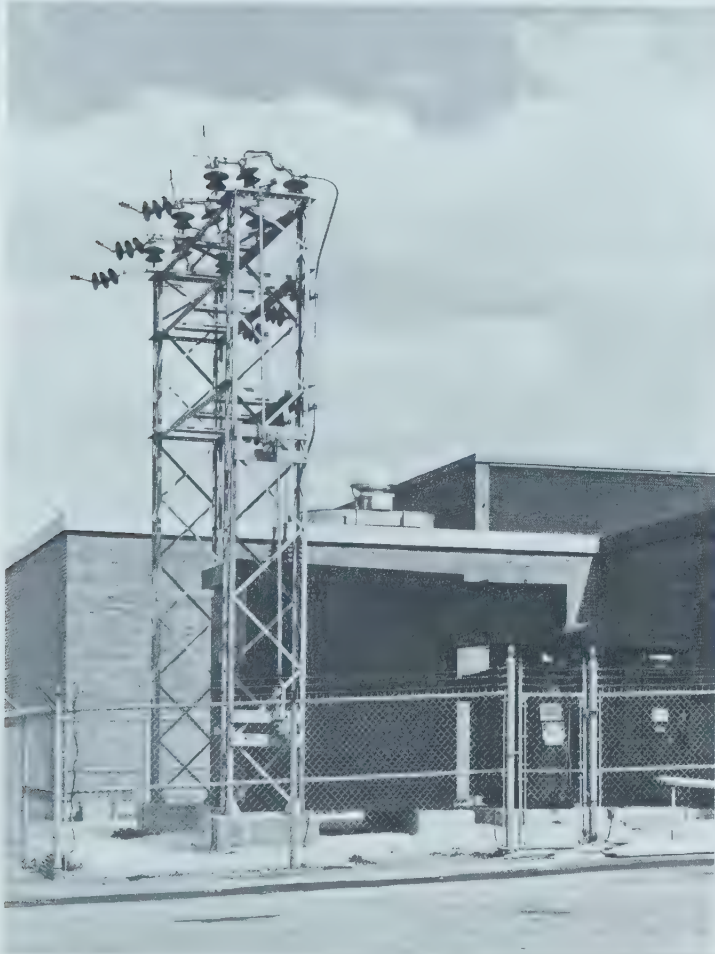
Moulded Case Circuit Breakers are subjected to exacting tests before shipment to customers. Above is a corner of the test department at the FPE Canada Toronto Plant.



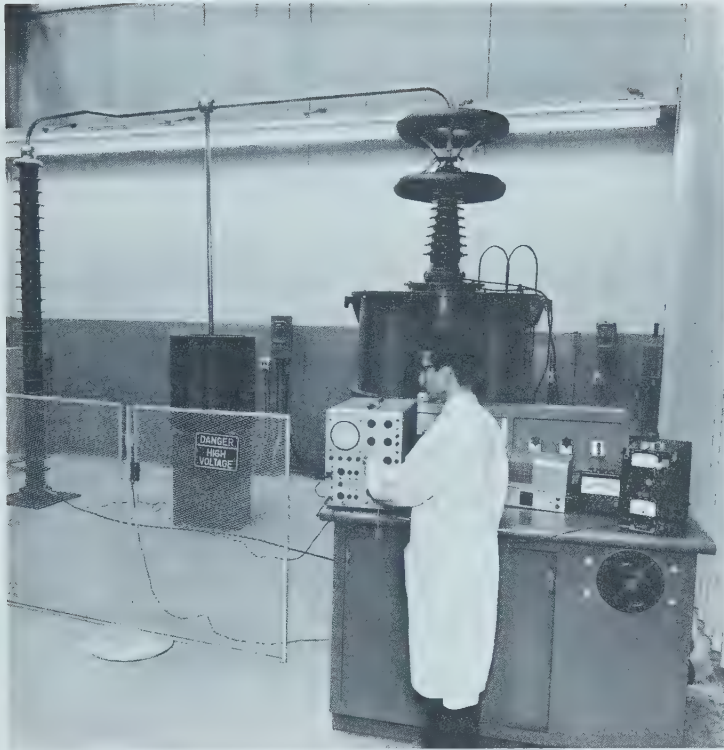
FPE Canada Granby Plant Engineering Department.



Corona testing of a 230 KV unit in the Winnipeg Plant.



An exterior shot of the new Laboratory and Substation at the FPE Canada Toronto Plant.



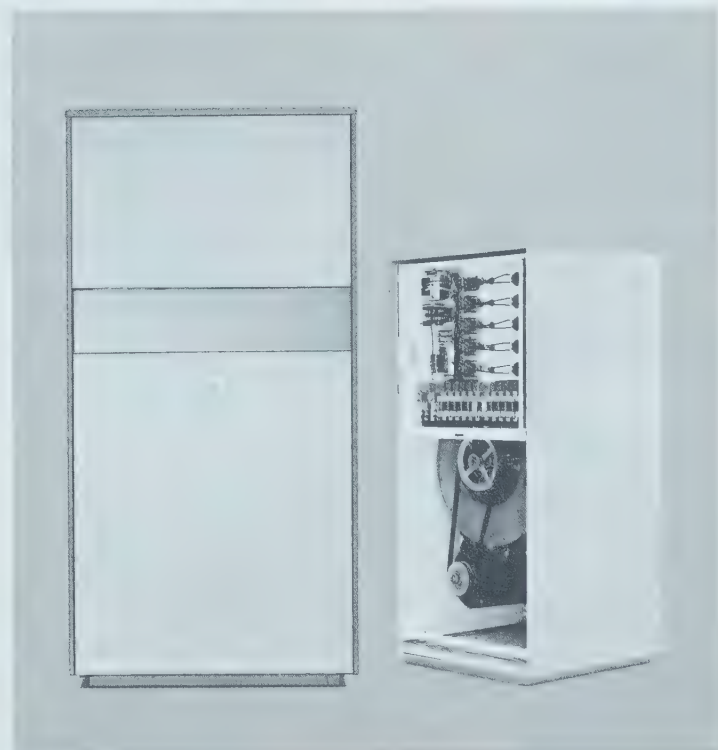
Corona testing being performed in the Pioneer Electric Winnipeg Plant.



A section of the Engineering Department in one of the FPE Canada Toronto Plants.



The Engineering and Research Department of the Vancouver Plant of FPE Canada.



An exterior and an interior photograph of the new hot air electric heating furnace developed at the Pioneer Electric Brandon Plant.

Plants and offices

Federal Pacific Electric of Canada division

Plants:

561 Maisonneuve Street
P.O. Box 550
Granby, Quebec

19 Waterman Avenue
Toronto 16, Ontario

20 Bermondsey Road
Toronto 16, Ontario

255 Viking Way
Richmond, British Columbia

Sales offices:

1078 Robie Street
Halifax, Nova Scotia

42 Shirley Ave.
P.O. Box 601
Moncton, New Brunswick

3442 Carré Rochon
Ste. Foy 10, Quebec

R.R. No. 2
West Shefford, Quebec

3333 Cavendish Blvd.
Montreal 28, Quebec

2627 Coleman Street
Ottawa 8, Ontario

377 Brant Street
Burlington, Ontario

131 Belmont Avenue
Waterloo, Ontario

1157 Prince Philip Drive
London, Ontario

12 Tweedsmuir Drive
North Bay, Ontario

944 St. James Street
Winnipeg, Manitoba

21 Lindsay Drive
Saskatoon, Saskatchewan

7814 MacLeod Trail S.W.
Calgary, Alberta

11819-145th Street
Edmonton, Alberta

Pioneer Electric division

Plants:

Brome Street
Granby, Quebec

445 Horner Avenue
Toronto 14, Ontario

101 Rockman Street
Winnipeg 19, Manitoba

11th and Richmond Streets
Brandon, Manitoba

1600 First Avenue
Regina, Saskatchewan

5727-53A Avenue
Red Deer, Alberta

Sales offices:

63 Union Street
Saint John, New Brunswick

1515 Mazurette St. West
Montreal 11, Quebec

503-119 West Pender Street
Vancouver 3, British Columbia

Associated and subsidiary companies

Cornell-Dubilier Electric Corporation
Newark, New Jersey 07101, U.S.A.

Federal Electric Limited
London, England

Federal Pacific Electric Company
Newark, New Jersey 07101, U.S.A.

Federal Pacific/Electric Construction Ltd.
Wolverhampton, England

Federal Pacific Electric Ges. m.b.H
St. Martin/Innkreis, Austria

Federal Pacific Electric Caribbean Limited
Spanish Town, Jamaica, W.I.

FPE Australia Pty. Ltd.
Liverpool, Australia

FPE South Africa (Pty.) Ltd.
Johannesburg, South Africa

S.A.C.E.
Bergamo, Italy

Wesix Electric Heater Company
Burlingame, California 94010, U.S.A.



Head office : 101 Rockman Street, Winnipeg 19, Manitoba

Executive offices : 19 Waterman Avenue, Toronto 16, Ontario

Transfer agents for first preference shares : Canada Trust Company,
Toronto, Montreal, Winnipeg and Vancouver

Transfer agents for class A shares : National Trust Company, Limited
Toronto, Montreal, Winnipeg and Vancouver

AR42

ADDRESS HAS BEEN CHANGED PLEASE FILL IN AND MAIL THIS FORM TO:

Shareholders

CANADA TRUST COMPANY, 110 Yonge Street, Toronto 1

For Class A Shareholders

NATIONAL TRUST COMPANY LIMITED, 21 King Street East, Toronto 1

STOCK REGISTERED IN NAME OF (TYPE OR PRINT)

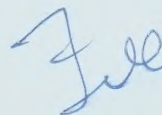
NEW ADDRESS

OLD ADDRESS

DATE

Signature of Shareholder

(Sign name exactly as it appears on share certificate)

FPE

Report to Shareholders

PE

For the six months ended December 31, 1968

FPE - PIONEER ELECTRIC LIMITED

FINANCIAL DATA

	For the six months ended December 31		
	1968	1967	1966
Net Sales.....	\$17,860,571	\$15,776,750	\$14,320,493
Net Earnings Before Taxes.....	1,738,486	1,780,147	2,149,838
Provision for Taxes.....	914,200	966,600	1,092,974
Net Earnings After Taxes.....	824,286	813,547	1,056,864
*Earnings Per Share.....	.77½	.82	1.17

*Calculated after giving effect to the payment of First Preference share dividends (1968—\$72,981, 1967—\$80,721, 1966—\$100,895). Number of Class A and Class B Common shares outstanding at December 31, 1968—969,323, at December 31, 1967—892,713, at December 31, 1966—814,853.

The above figures are subject to audit and year-end adjustments.